

AR22

1966



annual
report

BRITISH COLUMBIA TELEPHONE COMPANY



OUR COVER

The first concrete constructed microwave tower in our system was photographed at night for our cover. The 75-foot tower atop our Hemlock central office building in southeast Vancouver was built in 1966. It forms part of a new radio transmission system linking

Vancouver with Vancouver Island and the United States via Saltspring Island. Equipment in the radio room at the tower base presents the intriguing color pattern above in a photo taken with a 360-degree "fish-eye" lens.

B.C. TEL



BRITISH COLUMBIA TELEPHONE COMPANY

75th ANNUAL REPORT

*Incorporated by Special Act of the
Parliament of Canada, April 12, 1916*

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TRANSFER AGENT AND REGISTRAR

MONTRÉAL TRUST COMPANY

HEAD OFFICE

768 Seymour Street, Vancouver 2,
British Columbia, Canada

*If you own more than one type of British Columbia
Telephone Company capital stock, you may receive more
than one copy of this Report. This is because it is more
economical to mail a few duplicates than to maintain
an elaborate cross-reference checking system.*



Sunshine pinpoints telephone man in action
at Hudson's Hope.

Message from the President

The pulsating beat of our expansion pace quickened once again during 1966. It was a year which reflected in tangible ways the results of devoted efforts by our people both during the year itself and in the years of thoughtful planning and hard work that went before it.

In terms of dollars and cents, we established all-time highs in revenues, earnings and capital expenditures.

In terms of service, we had a record number of telephones in our system, record toll facility capacity and record traffic volumes. We employed the largest number of men and women in our history to maintain, operate, expand and improve our system.

During the year, I was able to visit many areas in each of the Company's operating divisions, meeting on the job hundreds of the men and women on our growing staff. Their devotion to their tasks is reassuring for our future.

The year was filled with significant happenings for our Company, not all welcome but none seriously hampering our progress.

Market conditions necessitated the highest interest ever on first mortgage bonds offered by the Company.

The Board of Transport Commissioners, in a decision following its 1965 examination of the Company, adopted our proposal that the permissive level of earnings be expressed in terms of percentage of invested capital. This is an earnings guideline more easily understood by everyone. The upper limit of the permissive earnings level established at 6.6% by the Board's judgment was lower than we had sought, but it has proven adequate for 1966. The Commissioners have spelled out their recognition that this limit is not inflexible for the future.



Presidential visit on the job, Kamloops.

A new contract negotiated and signed with the Federation of Telephone Workers of British Columbia became effective April 1, 1966 and runs through December 31, 1968. It provides a sound basis for continued harmonious relations with our employees.

During the year, our Company acquired controlling interest in the Okanagan Telephone Company, an acquisition which will enable economies for both companies through close integration of operations in the years ahead.

As we enter 1967, we can look back on 1966 not only as a record-breaking year, but as one in which the foundations for future success again were strengthened. With continued vigilance in our planning, our operations and our expansion, we can look forward to additional progress in the year ahead.

Vancouver, B.C.,
February 15, 1967.

THE REPORT AT A GLANCE

FINANCIAL	1966	1965
Revenues	\$112,526,763	\$ 99,700,513
Expenses	\$ 88,800,451	\$ 77,669,697
Income available for fixed charges	\$ 24,185,026	\$ 22,135,487
Average invested capital	\$365,827,360	\$333,938,536
Return on average invested capital	6.61%	6.63%
Net income available for ordinary shares	\$ 11,144,318	\$ 9,880,115
Earnings per average ordinary share	\$ 4.30	\$ 4.16

OTHER

Telephones in service	761,129	709,564
Gross plant additions	\$ 60,681,708	\$ 47,983,765
Average ordinary shares outstanding	2,589,300	2,373,525

On December 15, 1966, the Company acquired a substantial share holding in the Okanagan Telephone Company and following preferred accounting presentation has incorporated the assets and liabilities of this subsidiary in the Consolidated Balance Sheet. The above financial and other statistics, together with the narrative parts of this Report and the Ten-year Record of Progress, relate only to British Columbia Telephone Company.

REPORT OF DIRECTORS



High above the city, lineman fastens new microwave antenna to main Vancouver tower.

OUR EXPANSION STORY

More than ever before, our Company was in the forefront of development in British Columbia during 1966. From populous Vancouver to sparsely-settled valleys of the Nass River in the far northwest, our people were in action in increasing numbers, building more and better communications facilities to serve British Columbians.

Our investment in the province's growth and future grew by more than \$1 million a week throughout the year, a record-shattering pace.

Demands for service increased rapidly everywhere. The number of telephones climbed to 761,129, reflecting a record increase for the year of 51,565. Daily local calls averaged 4,894,027, up 9% over 1965, and long distance

volume jumped by 12%, to a daily average of 97,599 calls.

Keeping pace meant increasing our capital expenditures to a record \$60,681,708, up \$12,697,943 from 1965. Part of the increase resulted from rising labor, equipment and material costs, but the bulk of it was undertaken to meet service requirements created by customer demands.

During the year, nine new automatic dial telephone offices were completed and placed in service, together with the related outside plant necessary to connect our customers.

Forty-five percent of our capital budget, or \$27,192,441, was spent on additions and improvements to local telephone service facilities.

Eight new major radio transmission systems for long distance traffic were completed and substantial additions were made to switchboard capacities in most of our 15 major toll centers to handle increasing volumes of traffic. Twelve new public service radio terminals were installed to serve our growing number of mobile and fixed-location radiotelephone customers.

Twenty-two percent of the total capital budget, or \$13,362,641, was spent on additions and improvements to our toll system, with most of this going into new microwave radio facilities. By year end, our radio network extended more than 5,000 route miles.

Purchase and installation of customer equipment accounted for \$17,846,021, and the balance of the capital outlay, a total of \$2,280,605, was spent for vehicles and other work equipment.

The entire Province of British Columbia continued to expand, with the relative pace of growth greater in the central and northern areas than elsewhere. This pattern of growth is reflected in the following table showing station gain and capital expenditures by operating divisions:

	Telephones in Service			Capital Expenditures
	December 31, 1966	Increase 1966	%	1966 (000's)
Coastal	489,331	30,449	6.6	\$27,503
Island	151,872	9,151	6.4	11,606
Interior	71,126	5,348	8.1	8,723
Northern	48,800	6,617	15.7	12,850
	761,129	51,565	7.3	\$60,682

COASTAL DIVISION

Among the service highlights of the year in the Coastal Division was the introduction in October of cross-core calling in the Greater Vancouver area, eliminating toll charges on calls between exchanges situated on opposite sides of the Vancouver-Burnaby core. This expansion of flat-rate calling required the installation of \$3 million in new facilities and brought substantial benefit to our customers served by offices in New Westminster, Port Moody, Richmond, and North and West Vancouver.

Much of the effort of our telephone people in this Division was devoted to expansion of local central office and outside plant distribution facilities. The outside plant construction included 18 route miles of underground plant. Central office equipment additions totalling 35,000 lines were made in exchanges throughout the Division.

Other noteworthy 1966 projects were:

- A new 4,000-line central office at White Rock.
- Installation of 24 long distance operator positions and four new radiotelephone operator positions in Vancouver.
- Construction of a new reinforced concrete microwave radio tower (see front cover) atop our Hemlock office in southeast Vancouver to provide for expansion and diversification of toll routing to Victoria and Seattle.



Conquering the communications challenge in British Columbia requires aid of many machines. The Telsta cable truck and the helicopter above are just two of them.



Submarine telephone cable, ready to go to sea, was placed to link Powell River with Vananda on Texada Island. Cable measures 19,000 feet.

In Prince George, this brand new Northern Division administrative headquarters was opened officially November 17, 1966.



New cable link between New Westminster and Surrey was strapped to Pattullo Bridge, high above Fraser River.



ISLAND DIVISION

Our Island Division people put into service an entirely new local dial system—with all distribution facilities underground—in Gold River, a brand new town carved from the wilderness of the west coast of Vancouver Island in conjunction with construction of a \$60-million pulp mill. A new radio link connects this system via Woss Mountain and Newcastle Ridge to the Campbell River central office.

Expansion of flat-rate calling areas was undertaken at four locations in this Division during the year. Major submarine cable installations were required to facilitate two of these extensions involving islands in the Gulf of Georgia. A 20,000-foot submarine cable was placed between Thetis Island and Chemainus on Vancouver Island and a 19,000-foot submarine cable went in between Vananda on Texada Island and Powell River on the mainland coast.

Island Division crews buried 120 miles of cable during the year, including three miles through heavy timber in Cathedral Grove, where winds and winter snows previously have caused difficulty with the pole line link between Nanaimo and the Alberni. They also increased local service office capacities by 10,500 lines.

INTERIOR DIVISION

Five new dial offices were completed and another was being installed by our people in the Interior Division during 1966.

The installation of portable exchanges at the communities of Boswell and Yahk and completion of a new \$405,000 permanent dial office in Fernie gave our East Kootenay District 100% local dial service.

Completion of the dial offices at Dallas and Aspen Park brought to four the number of central offices within the Kamloops exchange. Major installations were under way at year end to provide this exchange with Direct Distance Dialing service in 1967.

Growth in long distance traffic necessitated increased toll switchboard capacities in Kamloops, Trail, Nelson and Cranbrook, and required installation of a new medium-route microwave radio system between Cranbrook

and Salmo which will be placed in service early in 1967.

Local service office capacity throughout the Division was increased by 8,500 lines.

NORTHERN DIVISION

Emphasis was on expansion of radio transmission facilities in the vast Northern Division, where our people completed four major toll systems during 1966, prepared a fifth for operation early in 1967 and added four new terminals for public radiotelephone service.

Microwave radio systems put into operation near the year end provide new toll links from Prince Rupert to Terrace and Kitimat, and from Prince George southeast to McBride and Valemount and northeast to the Peace River country. A new High Frequency radio system links Terrace with Stewart and the Nass River valley.

Construction was completed on the heavy-route microwave radio system from Terrace to Houston, leaving only minor installation work to bring it into service in 1967. Closing of this 80-mile gap in the Prince George-Prince Rupert network will complete a 1,500-mile multi-channel radio highway boxing the province and linking every main center.

Toll switchboard facilities were expanded in Prince George with the number of operator positions in the booming city being increased by two-thirds.

Local service expansion saw an aggregate 8,500-line addition to central offices throughout the Division, installation of new portable exchanges at Pouce Coupe, Giscome, Fraser Lake, Houston and Valemount, burying of nearly 40 miles of cable to extend dial service to rural areas surrounding Dawson Creek, and starts made on the construction of two new major central offices.

During the fall, the Division's administration staff moved into its new \$750,000 headquarters building in Prince George, celebrating the occasion with an official opening in mid-November. Your Board of Directors chose the occasion for a regular meeting in the headquarters building, their first—but not their last—regular meeting in a B.C. city outside Vancouver.



Enterphone, new system which combines apartment door-answering with regular telephone service, was developed by our people.

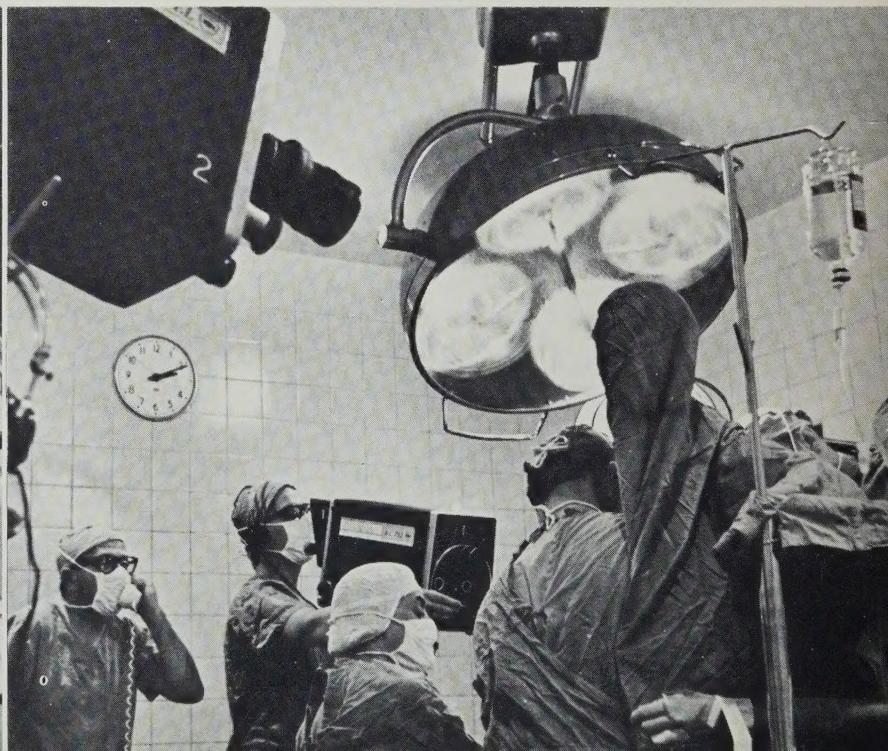
Selling is part of the job for telephone installers, who meet our customers—and their families—where they live.

OUR MARKET PLACE

Our people continued throughout the year to encourage the use of discretionary telephone services and to promote the sale of facilities for total communication, some of which are seen on these pages.

Substantial growth in such service areas as extension telephones, closed-circuit television systems, data transmission systems and mobile radiotelephones gives evidence of the success of the efforts of our commercial, installation and marketing people.

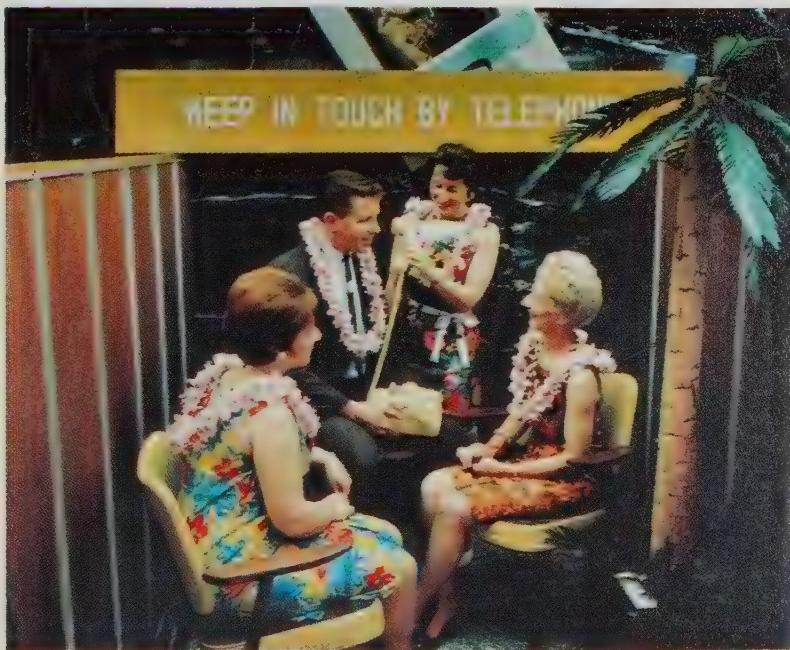
Closed-circuit television and videotaping equipment, here in surgery at The Vancouver General Hospital, were tested as medical education tool.





Peace River power project builders use radiotelephone hand sets for on-the-job communication.

Use of long distance services was promoted with displays like this one.



BELOW: Panel telephone for home and business installation was introduced to customers in 1966.

BOTTOM RIGHT: New coin telephone booth designs include this style, seen here in flower shop setting.





Videotel, now used to display telephone service of the future, will be in general use when this young man grows up.

OUR FUTURE

Anti-inflation measures and the conditions of the financial market were felt by the British Columbia economy during the latter half of 1966, but the expansion pace remained vigorous. This fact is reflected in the growth of our own industry, which, like many others, is committed by its very nature to substantial growth in the future.

Great projects like the Peace and Columbia River power developments and like the multi-million-dollar pulp mills under construction in several areas of the province must proceed. These and related industrial growth, together with essential government and institutional

projects and increased product and service development to meet consumer demands which remain high, will help to keep British Columbia's economy moving ahead steadily through 1967.

We will continue to play our full and active role, as a responsible investor-owned utility, in furthering the development and growth of British Columbia with a 1967 expansion program involving capital expenditures of \$65 million. Of this total \$50 million will go into facilities for growth. This reflects not only anticipated vigorous demands for telephone service in 1967 but also efforts to reinforce for the years ahead the capacity of facilities which have been heavily taxed by the unprecedented growth of recent years.



Cable plow improves efficiency as we bury more and more telephone cable.



Nelson vocational school provides backdrop for telephone craftsman at work.

Northern transmission hub is Tabor Mountain tower outside Prince George, where telephone engineer plans radio shots for future.





Telephone service expansion at Portage Mountain takes place as Peace River power project progresses in Northern Division area.



Interior Division completed new radio installation atop Vernon Hill in the Okanagan region.

GROWING WITH BRITISH COLUMBIA

A \$60 Million Job in 1966

Coastal Division's underground cable installations included this link in Vancouver's growing West End.



Buried cable program in Island Division included plowing through heavy forest land of a provincial park.



OUR FINANCIAL RECORD

The results of our 1966 expansion and service efforts are evident in our financial record.

Total operating revenues reached \$112,526,763, up 13% from 1965, with the portion from toll services up by 16% and that from local services up by 10%. Total operating expenses increased by 15% to \$88,800,451, including taxes of \$17,295,826, leaving earnings of \$24,185,026 available for interest and other charges.

These earnings, up \$2,049,539 from 1965 in terms of actual dollars, represented a return of 6.61% on average invested capital, slightly lower than the 6.63% of 1965.

Interest and amortization provisions required \$9,349,708 and dividends on preference and preferred shares totalled \$3,691,000. This left \$11,144,318, or \$4.30 per average ordinary share outstanding, against \$9,880,115, or \$4.16 per share, in 1965.

Dividends on ordinary shares continued at the rate of \$2.40 per share for a total of \$6,214,320. The remaining \$4,929,998 was retained in the business for corporate growth and development.

Depreciation continued to be the largest single item of operating expense, totalling \$22,944,866, up 7% from 1965. The increase in this important element of expense, which is under constant review and the subject of continuous detailed engineering studies, reflects primarily the growth in the Company's investment in total plant, which had risen to \$480,762,018 at year end.

The increased size of our operations and the effects of higher wages resulting from our new agreement with employees, effective from April 1, were reflected in the 20% increase in maintenance, traffic, commercial, and general and administrative expenses. Income and other taxes rose 10%.

Demand loans incurred for capital expenditures during the early part of the year were repaid from the proceeds of the sale in September of an issue of \$30,000,000 6 $\frac{3}{4}$ % First Mortgage Bonds maturing October 15, 1989. This issue, the largest ever made by the Company, was successful in a very difficult market that imposed the highest interest rate ever paid by the Company.



Cash reports flow daily to Company computers through machines like this one, installed to increase efficiency.

On October 15, 1966, our Company offered to purchase for \$27.30 a share all of the outstanding common shares of the Okanagan Telephone Company, and by year end had acquired, with permission of provincial and federal regulatory agencies, 97.6% of the common shares outstanding.

The Okanagan Telephone Company operates 21 dial exchanges serving 39,259 telephones, with principal exchanges at Penticton, Kelowna, Vernon, Salmon Arm and Revelstoke.

Plans call for merging of the two companies eventually, but present intentions are to operate the Okanagan Company as a subsidiary.

It is with deep regret that we report the death on December 25, 1966 of Wilmar D. Stevens, our Comptroller since October 1958. Mr. Stevens had been a valued employee of the Company since 1935 and his loss will be keenly felt.

The continued loyalty and high standard of performance of all employees and the continued support and confidence shown by investors in the securities of our Company made possible the success we experienced during 1966. This is appreciated by your Directors, who look forward to another year of growth in 1967.

For the Board of Directors

President

February 15, 1967

CONSOLIDATED BALANCE SHEET

As at December 31, 1966

ASSETS

	1966	1965
TELEPHONE PLANT, at cost	\$506,804,746	\$429,966,904
Less — Accumulated depreciation	102,214,508	83,072,085
	 \$404,590,238	 \$346,894,819
NON-CURRENT ASSETS, at cost		
Corporation special refundable taxes	\$ 1,232,075	\$ —
Other	287,276	582,062
	 \$ 1,519,351	 \$ 582,062
CURRENT ASSETS		
Cash	\$ 1,587,025	\$ 770,814
Short term investments and deposits, at cost	230,000	2,000,000
Accounts receivable, less allowance for doubtful accounts	14,884,001	11,998,186
Material and supplies, at cost	7,283,375	5,157,389
Prepayments	1,114,818	907,151
	 \$ 25,099,219	 \$ 20,833,540
DEFERRED CHARGES		
Unamortized discount, premium and expense on long term debt, net	\$ 4,549,277	\$ 3,458,633
Other deferred charges	5,112,476	2,820,983
	 \$ 9,661,753	 \$ 6,279,616
Approved for Board of Directors, C. H. McLEAN, <i>Director</i> J. E. RICHARDSON, <i>Director</i>	 \$440,870,561	 \$374,590,037

BRITISH COLUMBIA TELEPHONE COMPANY

LIABILITIES

SHAREHOLDERS' EQUITY

Authorized share capital \$250,000,000

Ordinary shares of par value \$25 each

(2,589,300 shares outstanding at December 31, 1966).....

Premium on ordinary shares.....

Earnings retained for use in the business.....

Preference and preferred shares (Note 2).....

Total Shareholders' Equity.....

MINORITY INTEREST

Preferred shares (\$450,000) and other interest
in subsidiary.....

LONG TERM DEBT (Note 4)

CURRENT LIABILITIES

Bank demand notes payable.....

Accounts payable.....

Income taxes payable.....

Bond and note interest accrued.....

Dividends payable.....

Other accrued liabilities.....

Unearned rentals and prepayments for service.....

Instalments on subsidiary's long term debt due
within one year.....

INCOME TAXES DEFERRED (Note 3)

	1966	1965
	\$ 64,732,500	\$ 64,732,500
	32,471,640	32,471,640
	22,464,962	17,535,614
	\$119,669,102	\$114,739,754
	73,500,000	73,500,000
	\$193,169,102	\$188,239,754
	\$ 591,600	\$ —
	\$195,678,500	\$157,500,000
	\$ 18,300,000	\$ —
	8,943,035	6,919,194
	5,630,298	5,512,499
	3,051,477	2,411,458
	2,476,330	2,476,330
	649,017	631,488
	2,462,658	2,228,770
	59,000	—
	\$ 41,571,815	\$ 20,179,739
	\$ 9,859,544	\$ 8,670,544
	\$440,870,561	\$374,590,037

The accompanying notes are an integral part of the financial statements.

STATEMENT OF INCOME

For the years ended December 31, 1966 and 1965

	1966	1965
OPERATING REVENUES		
Local service	\$ 59,278,966	\$ 53,906,008
Toll service	50,746,437	43,561,067
Miscellaneous	3,287,241	2,858,452
<i>Less:</i> Uncollectible operating revenues	785,881	625,014
 Total Operating Revenues	 \$112,526,763	 \$ 99,700,513
OPERATING EXPENSES		
Maintenance	\$ 22,134,940	\$ 18,898,034
Depreciation	22,944,866	21,345,168
Traffic	8,709,151	6,710,104
Commercial	6,083,607	5,220,670
General and administrative (Note 5)	11,632,061	9,764,709
Provincial, municipal and other taxes	3,934,403	3,217,764
Taxes on income	13,361,423	12,513,248
 Total Operating Expenses	 \$ 88,800,451	 \$ 77,669,697
NET OPERATING INCOME		
Other Income	\$ 23,726,312	\$ 22,030,816
	458,714	104,671
 \$ 24,185,026	 \$ 22,135,487	
INTEREST AND OTHER DEDUCTIONS		
Interest on long term debt	\$ 8,453,279	\$ 8,042,500
Other interest	696,834	198,311
Amortization of discount, premium and expense on long term debt, net	199,595	190,561
 \$ 9,349,708	 \$ 8,431,372	
NET INCOME	 \$ 14,835,318	 \$ 13,704,115
DIVIDENDS (Note 6)		
Preference and preferred shares	\$ 3,691,000	\$ 3,824,000
Ordinary shares	6,214,320	5,696,460
 \$ 9,905,320	 \$ 9,520,460	
NET INCOME AFTER DIVIDENDS, transferred to retained earnings	 \$ 4,929,998	 \$ 4,183,655

The accompanying notes are an integral part of the financial statements.

BRITISH COLUMBIA TELEPHONE COMPANY

STATEMENT OF EARNINGS RETAINED FOR USE IN THE BUSINESS

For the years ended December 31, 1966 and 1965

BALANCE AT BEGINNING OF YEAR	
Net income after dividends	
Share issue expenses	
Premium (and tax thereon) on redemption of preferred shares	
BALANCE AT END OF YEAR	

1966	1965
\$ 17,535,614	\$ 14,716,073
4,929,998	4,183,655
\$ 22,465,612	\$ 18,899,728
\$ 650	\$ 644,114
—	720,000
\$ 650	\$ 1,364,114
\$ 22,464,962	\$ 17,535,614

SOURCE AND APPLICATION OF FUNDS

For the years ended December 31, 1966 and 1965

SOURCE OF FUNDS

Net income for the year	
Add — Non-cash charges to income for depreciation and amortization	
Proceeds from issue and sale of securities	
Preferred shares	
Ordinary shares	
Long term debt	

1966	1965
\$ 14,835,318	\$ 13,704,115
23,580,401	21,920,390
\$ 38,415,719	\$ 35,624,505
—	19,425,354
—	16,345,688
29,002,681	—
\$ 67,418,400	\$ 71,395,547
\$ 60,681,708	\$ 47,983,765
1,096,972	3,100,529
\$ 59,584,736	\$ 44,883,236
12,751,190	—
9,905,320	9,520,460
—	12,720,000
909,730	582,062
2,291,493	464,788
(18,024,069)	3,225,001
\$ 67,418,400	\$ 71,395,547

APPLICATION OF FUNDS

Gross plant additions	
Less — Salvage value of plant retired	
Investment in subsidiary	
Dividends	
Redemption of preferred shares	
Increase in non-current assets	
Increase in other deferred charges	
Net change in working capital	

NOTES TO FINANCIAL STATEMENTS

NOTE 1 — PRINCIPLES OF CONSOLIDATION

In December, 1966, the Company acquired 97.6% of the common shares of Okanagan Telephone Company then issued and outstanding at a cost of \$12,751,190, including expenses of acquisition. The Company's consolidated balance sheet incorporates the assets and liabilities of Okanagan Telephone Company as at November 30, 1966, and the excess of the cost of acquisition over the book value of net assets acquired is included in telephone plant. Earnings of this subsidiary subsequent to acquisition are not deemed to be significant and have not been incorporated in these financial statements. It is estimated that the income available for ordinary shares of this subsidiary for the year ended December 31, 1966 will be approximately \$550,000.

NOTE 2 — PREFERENCE AND PREFERRED SHARES OUTSTANDING

<i>Redemption Premium</i>	1966	1965
Par value of \$100 each		
6 % Cumulative preference shares 10%	\$ 1,000,000	\$ 1,000,000
6 % Cumulative preferred shares 5	4,500,000	4,500,000
4¾ % Cumulative redeemable preferred shares 5	7,500,000	7,500,000
4¾ % Cumulative redeemable preferred shares (Series 1956) 4	7,500,000	7,500,000
4½ % Cumulative redeemable preferred shares 4	5,000,000	5,000,000
4¾ % Cumulative redeemable preferred shares 4	6,000,000	6,000,000
5¾ % Cumulative redeemable preferred shares 4	10,000,000	10,000,000
5.15% Cumulative redeemable preferred shares 5	12,000,000	12,000,000
Par value of \$25 each		
4.84% Cumulative redeemable preferred shares 4	20,000,000	20,000,000
	\$ 73,500,000	\$ 73,500,000

NOTE 3 — INCOME TAXES DEFERRED

The Company has made provisions in prior years by charges against income in the net amount of \$8,670,544 for additional income taxes, payment of which has been deferred by claiming for tax purposes capital cost allowances in excess of depreciation provided in the accounts. With effect from January 1, 1958, the Company has restricted the amount of capital cost allowance claimed to the amount of depreciation recorded in its accounts. This caption also includes \$1,189,000 arising from consolidation of Okanagan Telephone Company.

BRITISH COLUMBIA TELEPHONE COMPANY

NOTE 4 — LONG TERM DEBT

British Columbia Telephone Company

First Mortgage Bonds (1)

Series A 3 3/4 % due March 1, 1971	\$ 16,500,000
Series B 3 1/8 % due March 1, 1971	3,000,000
Series C 3 3/4 % due March 1, 1971	8,000,000
Series D 4 1/2 % due March 1, 1971	8,000,000
Series E 4 3/4 % due October 1, 1975	7,000,000
Series F 5 % due April 1, 1982	25,000,000
Series G 5 1/4 % due November 1, 1983	20,000,000
Series H 6 % due September 15, 1984	15,000,000
Series I 5 3/4 % due August 1, 1985	15,000,000
Series J 5 3/4 % due July 15, 1986	20,000,000
Series K 5 5/8 % due April 15, 1988	20,000,000
Series L 6 3/4 % due October 15, 1989	30,000,000
	\$187,500,000

	1966	1965
British Columbia Telephone Company		
First Mortgage Bonds (1)		
Series A 3 3/4 % due March 1, 1971	\$ 16,500,000	\$ 16,500,000
Series B 3 1/8 % due March 1, 1971	3,000,000	3,000,000
Series C 3 3/4 % due March 1, 1971	8,000,000	8,000,000
Series D 4 1/2 % due March 1, 1971	8,000,000	8,000,000
Series E 4 3/4 % due October 1, 1975	7,000,000	7,000,000
Series F 5 % due April 1, 1982	25,000,000	25,000,000
Series G 5 1/4 % due November 1, 1983	20,000,000	20,000,000
Series H 6 % due September 15, 1984	15,000,000	15,000,000
Series I 5 3/4 % due August 1, 1985	15,000,000	15,000,000
Series J 5 3/4 % due July 15, 1986	20,000,000	20,000,000
Series K 5 5/8 % due April 15, 1988	20,000,000	20,000,000
Series L 6 3/4 % due October 15, 1989	30,000,000	—
	\$187,500,000	\$157,500,000
Okanagan Telephone Company		
First Mortgage Sinking Fund Bonds		
Series A 4 % due February 1, 1968	\$ 466,500	
Series B 4 % due February 1, 1968	106,500	
Series C 5 1/4 % due July 1, 1970	512,500	
General Mortgage Sinking Fund Bonds		
Series A 5 % due July 1, 1971	398,000	
Series B 5 % due July 1, 1975	424,500	
Series C 6 % due July 1, 1977	363,000	
Series D 5 3/4 % due July 1, 1978	686,000	
Series E 6 1/2 % due December 1, 1979	495,500	
Series F 6 1/2 % due July 1, 1980	972,000	
Series G 5 3/4 % due July 1, 1984	1,649,000	
Series H 6 1/4 % due July 1, 1986	2,250,000	
Less — Sinking fund payments due within one year		
	8,323,500	
	145,000	
	\$ 8,178,500	—
	\$195,678,500	\$157,500,000

(1) An annual sinking fund payment of 1% of the principal amount of the First Mortgage Bonds outstanding is required by the terms of the Deed of Trust and Mortgage securing these bonds. Each year the Company has recovered such payments by exercising its option to be repaid moneys deposited in the sinking fund up to 66 2/3 % of its investment in additional property as provided for by the terms of the aforementioned Deed.

NOTE 5 — GENERAL AND ADMINISTRATIVE EXPENSE

Accounting	.....
Engineering	.....
Executive and staff	.....
Directors' remuneration as director or officer	101,000
Relief and pensions	.....
Stationery, rents, insurance and other	.....
Less: Charged to construction	.....

1966	1965
\$ 3,342,583	\$ 2,878,416
2,456,236	1,217,896
1,412,683	1,191,764
101,000	157,000
2,660,484	2,667,815
2,927,914	2,472,744
1,268,839	820,926
\$ 11,632,061	\$ 9,764,709

The Company's pension liability for past service of all employees who were not eligible to retire was actuarially determined to be approximately \$22,000,000 as at December 31, 1964. Commencing January 1, 1965, the Company has accrued and funded the annual pension entitlement of all employees for current service and in addition has provided \$1,385,000 per annum which, it is estimated, will amortize the liability for past service, together with interest thereon, over twenty-five years. The unamortized pension liability is estimated to be \$20,992,400 at December 31, 1966.

The Okanagan Telephone Company determined actuarially that as at December 31, 1964 it had no pension liability for past service of employees and has provided annually since that date for the pension entitlement of employees for current service.

NOTE 6 — DIVIDENDS ON PREFERENCE, PREFERRED AND ORDINARY SHARES

6 % Cumulative preference shares	.....
6 % Cumulative preferred shares	.....
4 3/4 % Cumulative redeemable preferred shares	.....
4 3/4 % Cumulative redeemable preferred shares (Series 1956)	.....
4 1/2 % Cumulative redeemable preferred shares	.....
4 3/8 % Cumulative redeemable preferred shares	.....
5 3/4 % Cumulative redeemable preferred shares	.....
6 1/4 % Cumulative redeemable preferred shares	.....
5.15% Cumulative redeemable preferred shares	.....
4.84% Cumulative redeemable preferred shares	.....

1966	1965
\$ 60,000	\$ 60,000
270,000	270,000
356,250	356,250
356,250	356,250
225,000	225,000
262,500	262,500
575,000	575,000
—	375,000
618,000	618,000
968,000	726,000
\$ 3,691,000	\$ 3,824,000
\$ 6,214,320	\$ 5,696,460
\$ 9,905,320	\$ 9,520,460

Ordinary shares

TEN-YEAR RECORD OF PROGRESS

RIDDELL, STEAD, GRAHAM & HUTCHISON
CHARTERED ACCOUNTANTS

BANK OF CANADA BUILDING
VANCOUVER 1, B.C.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the accompanying consolidated balance sheet of British Columbia Telephone Company and its subsidiary, Okanagan Telephone Company as at December 31, 1966 and the statements of income, earnings retained for use in the business and source and application of funds of British Columbia Telephone Company for the year then ended. Our examination included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned financial statements present fairly the consolidated financial position of the companies as at December 31, 1966 and the results of British Columbia Telephone Company's operations and its source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Riddell Stead Graham + Hutchison

January 30, 1967.

PARTICULARS	1966	1965	1964
SELECTED INCOME ACCOUNT ITEMS			
1 Total operating revenues	\$112,526,763	\$ 99,700,513	\$ 87,474,632
2 Local service	59,278,966	53,906,008	49,291,594
3 Toll service	50,746,437	43,561,067	35,987,120
4 Operating expenses — salaries and wages	32,472,398	26,339,263	23,044,552
5 Operating expenses — all other	16,087,361	14,254,254	12,670,992
6 Depreciation	22,944,866	21,345,168	18,534,784
7 Provincial, municipal and other taxes	3,934,403	3,217,764	2,834,955
8 Taxes on income	13,361,423	12,513,248	10,664,107
9 Interest and other deductions	9,349,708	8,431,372	8,026,309
10 Net income available for dividends	14,835,318	13,704,115	11,928,655
11 Dividends on preference and preferred shares	3,691,000	3,824,000	3,473,000
12 Dividends on ordinary shares	\$ 6,214,320	\$ 5,696,460	\$ 5,523,840
SELECTED BALANCE SHEET ITEMS			
13 Investment in telephone plant	\$480,762,018	\$429,966,904	\$393,360,679
14 Depreciation reserve	97,663,919	83,072,085	69,619,268
15 Net plant investment per telephone	503	489	489
16 First mortgage bonds	187,500,000	157,500,000	157,500,000
17 Fifteen-year 4% notes	—	—	—
18 Bank demand notes payable	18,300,000	—	2,500,000
19 Preference and preferred shares	73,500,000	73,500,000	65,500,000
20 Ordinary shares, premium and retained earnings	119,669,102	114,739,754	95,505,057
21 Total capitalization (including bank demand notes payable)	\$380,669,102	\$345,739,754	\$321,005,057
SELECTED TELEPHONE STATISTICS			
22 Company owned telephones	761,129	709,564	661,708
23 Per cent dial	98.7%	98.6%	98.3%
24 Per cent manual	1.3%	1.4%	1.7%
25 Central offices — dial	205	199	183
26 Central offices — manual	16	16	19
27 Average daily local calls	4,894,027	4,483,761	4,200,799
28 Average daily toll messages	97,599	87,441	72,442
29 Miles of wire	2,942,671	2,692,967	2,427,131
30 Per cent in cable	97.7%	97.5%	97.1%
31 Total salaries and wages	\$ 42,004,499	\$ 35,568,260	\$ 30,785,133
32 Number of employees	7,243	6,337	5,696
33 Number of shareholders	22,498	23,067	23,609

BRITISH COLUMBIA TELEPHONE COMPANY

1963	1962	1961	1960	1959	1958	1957
\$ 77,391,529	\$ 71,635,207	\$ 67,372,042	\$ 58,842,714	\$ 54,867,182	\$ 44,876,593	\$ 41,323,329
45,821,729	43,578,500	40,826,116	37,217,693	35,152,890	28,098,477	25,789,123
29,674,041	26,524,167	23,685,017	18,970,192	17,322,785	14,678,462	13,560,965
20,864,962	20,019,044	19,442,686	18,365,832	18,509,394	18,515,691	16,709,677
10,431,894	10,268,707	10,296,463	9,550,146	9,089,097	8,203,284	7,420,700
15,648,843	13,926,474	11,633,769	9,669,597	8,678,074	7,099,564	5,690,918
2,568,140	2,324,557	2,326,740	1,988,057	1,492,625	1,292,851	1,084,871
10,057,911	8,682,720	8,268,301	6,658,463	6,019,134	2,857,776	3,633,053
7,322,198	7,382,101	6,988,165	5,921,990	4,971,746	3,908,506	2,916,665
10,928,238	9,483,186	8,792,903	7,245,647	6,672,300	4,173,071	4,723,025
3,318,500	2,855,000	2,855,000	2,667,500	2,105,000	2,105,000	1,577,917
\$ 5,293,680	\$ 4,430,580	\$ 4,068,900	\$ 3,458,400	\$ 3,075,000	\$ 2,400,000	\$ 2,400,000
\$362,955,276	\$335,865,487	\$308,366,305	\$265,129,882	\$243,690,783	\$217,951,682	\$176,758,724
57,782,084	48,225,374	41,238,185	34,896,273	33,412,726	33,996,533	30,413,169
488	484	470	440	416	383	324
137,500,000	137,500,000	137,500,000	117,500,000	102,500,000	87,500,000	67,500,000
—	—	2,893,000	3,051,000	3,193,000	3,361,000	3,511,000
6,500,000	5,000,000	—	6,500,000	8,500,000	8,000,000	—
65,500,000	53,500,000	53,500,000	53,500,000	41,500,000	41,500,000	41,500,000
92,573,242	90,636,977	73,921,407	62,039,202	55,505,989	43,848,115	44,180,044
\$302,073,242	\$286,636,977	\$267,814,407	\$242,590,202	\$211,198,989	\$184,209,115	\$156,691,044
625,103	594,292	568,022	522,780	505,432	480,707	452,157
97.7%	96.9%	90.4%	87.4%	79.4%	71.4%	67.1%
2.3%	3.1%	9.6%	12.6%	20.6%	28.6%	32.9%
159	140	106	78	63	54	45
26	37	59	55	65	71	79
3,896,393	3,735,403	3,565,308	3,246,610	3,129,904	2,929,155	2,700,964
65,725	63,274	56,828	50,706	48,273	47,362	44,613
2,273,990	2,172,023	2,090,825	1,864,691	1,760,014	1,414,934	1,254,122
96.9%	96.6%	96.5%	95.9%	95.9%	95.0%	94.8%
27,875,720	\$ 27,011,666	\$ 25,828,367	\$ 24,842,661	\$ 25,219,406	\$ 24,742,215	\$ 21,525,011
5,423	5,330	5,511	5,646	6,205	6,878	7,130
24,722	23,993	23,788	23,461	20,458	20,500	20,323

On the job, installer-repairman Harvie Rourke sells telephone service. Off the job, he doubles as Captain Vancouver to sell tourism.



Employees turned out in record numbers for Red Cross blood donor clinics.

When public called at Island Division headquarters "Telephone Fair", employees were enthusiastic hosts and hostesses.



Barbara Kelly, rate clerk who became Miss Canada, got warm welcome on return to Vancouver. Dark-haired miss in center is Barbara.



OUR PEOPLE

Our B.C. Tel family grew to a record size in 1966 numbering 7,243 by year end, an increase of 906 over the previous year.

Their devotion to duty and their dedication to service for fellow British Columbians are evident not only in our Company's results but also in their community endeavours throughout the entire province.

Their generous financial support for community service groups continued as demonstrated by the all-time high of \$64,422 pledged to the Telephone Employees' Community Fund of Greater Vancouver. Records were set in blood donor participation, bringing from the Red Cross a special certificate of merit recognizing our employees for their "years of collaboration in mutual humanitarian tasks."

Our employees were elected to civic office in several locations and continued to enhance their outstanding reputation for voluntary service in organizations of all kinds throughout the province.

First aid awards were won by employee groups in several areas and our North Shore District men and women reached the second highest plateau in the B.C. Safety Council's occupational achievement awards program when they completed more than 4½ years without a lost-time accident on the job.



OUR CENTENNIAL PROJECT

The B.C. Tel Porpoise Pool

In 1966, British Columbia celebrated the 100th anniversary of the joining of Vancouver Island and the Mainland into what now is the Province of British Columbia. In 1967, Canada celebrates the 100th anniversary of its birth as a nation.

The B.C. Telephone Company chose to mark these occasions with a special centennial gift to all British Columbians, a gift which everyone in the province will have opportunity to enjoy at their own convenience in the century ahead.

That gift is the B.C. Tel Porpoise Pool in the Vancouver Public Aquarium in Stanley Park, where "Splasher", the pool's first occupant, is seen above performing for Company President J. Ernest Richardson, who declared the pool officially opened on December 28, 1966.

The Company has made this contribution as a lasting reminder of our centennials in the belief that it is not only a valuable addition to education and tourism, but also an enjoyable asset in the province we serve.

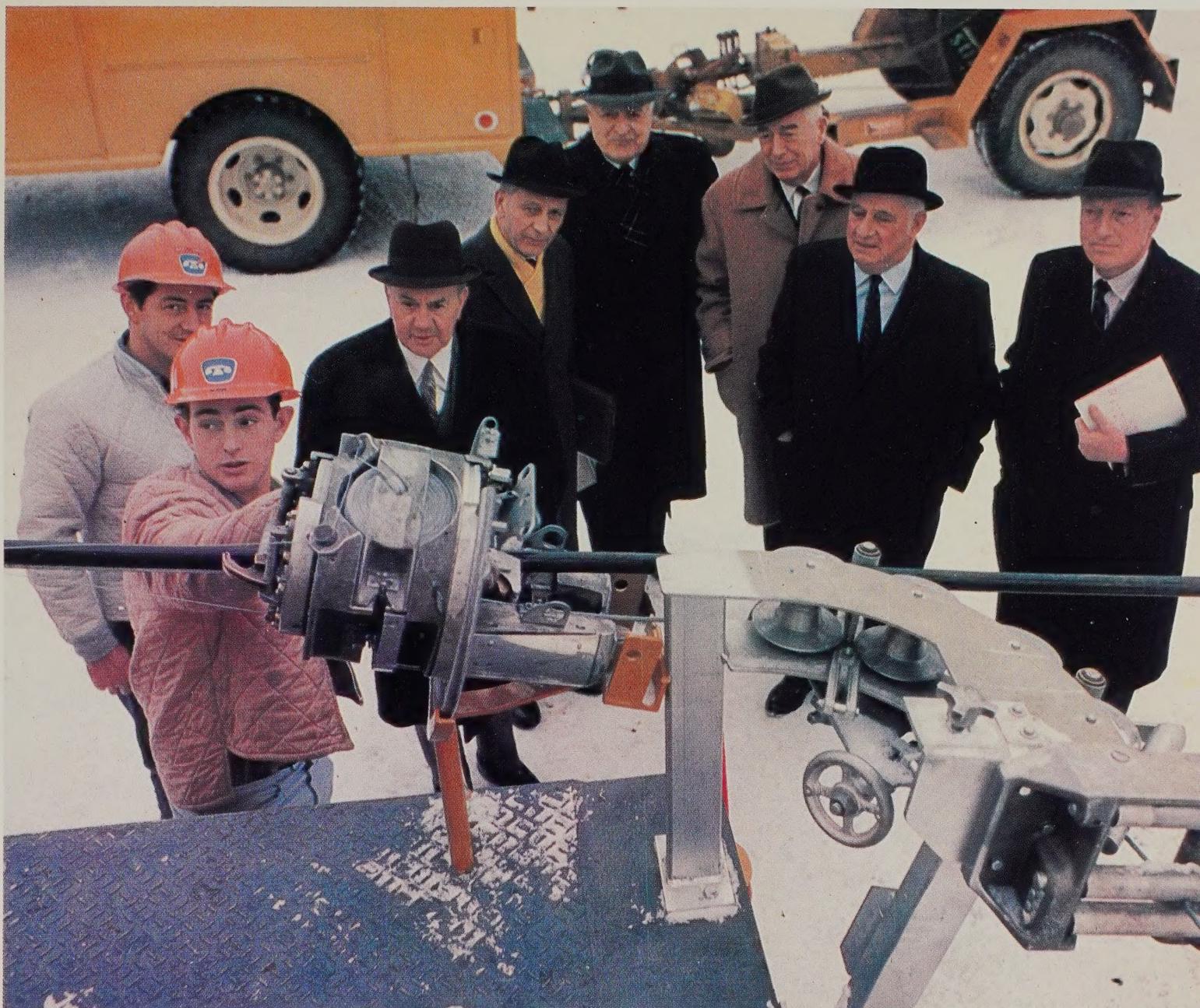
DIRECTORS

Harry M. Boyce <i>Chairman</i> Yorkshire Financial Corporation Limited Vancouver, B.C.	Fred B. Brown <i>President</i> Vanwest Logging Co. Ltd. Vancouver, B.C.	James J. Clerkin, Jr. <i>Executive Vice-President—Telephone Operations</i> General Telephone & Electronics Corporation New York, N.Y.
Theodore S. Gary <i>Vice-Chairman</i> General Telephone & Electronics Corporation New York, N.Y.	Gilbert A. Kennedy <i>Retired</i> Formerly Vice-President—Finance, British Columbia Telephone Company Ganges, B.C.	
Cyrus H. McLean <i>Chairman</i> British Columbia Telephone Company Vancouver, B.C.	John A. McMahon <i>President</i> Inland Natural Gas Co. Ltd. Vancouver, B.C.	Winfield S. Pipes <i>Retired</i> Formerly Executive Vice-President, British Columbia Telephone Company Vancouver, B.C.
Donald C. Power <i>Chairman</i> General Telephone & Electronics Corporation New York, N.Y.	J. Ernest Richardson <i>President and Chief Executive Officer</i> British Columbia Telephone Company Vancouver, B.C.	
Col. The Hon. Clarence Wallace, <i>C.B.E.</i> <i>President</i> Burrard Dry Dock Company Limited Vancouver, B.C.		

OFFICERS

Cyrus H. McLean, <i>Chairman</i>
J. Ernest Richardson, <i>President and Chief Executive Officer</i>
Jack C. Carlile, <i>Vice-President—Finance</i>
Earl T. Squire, <i>Vice-President—Marketing</i>
Hector F. Urquhart, <i>Vice-President—Operations</i>
Douglas C. Watt, <i>Vice-President—Staff (Operations)</i>
John Ross Evans, <i>Secretary and Treasurer</i>
*Wilmar D. Stevens, <i>Comptroller</i>
George Wragg, <i>Assistant Secretary and Assistant Treasurer</i>

*Deceased December 25, 1966



The Board of Directors met in Prince George while there for opening of new Northern Division headquarters building in November. They took opportunity to examine equipment. Showing cable spinner at left are employees Bruce Caswell and Wilf Dobec. Directors, from left to right, are John A. McMahon, J. Ernest Richardson, Cyrus H. McLean, Fred B. Brown, Col. The Hon. Clarence Wallace, C.B.E., and Harry M. Boyce.

**Great days
to discover
how little
long distance
costs**

NEW YEAR'S



VALENTINE'S



EASTER



MOTHER'S DAY



FATHER'S DAY



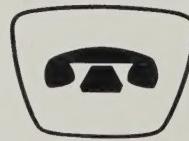
THANKSGIVING



ANNIVERSARIES



TODAY



BRITISH COLUMBIA TELEPHONE COMPANY 75th ANNUAL REPORT